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ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

亞洲聯網科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 679)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “Board”) of Asia Tele-Net and Technology Corporation Limited (the “Company”) announced that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 (“Period Under Review”) together with last year’s comparative figures are as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Revenue - contracts with customers	4	393,328	319,673
Cost of sales		<u>(317,834)</u>	<u>(290,010)</u>
Gross profit		75,494	29,663
Other gains and losses	5	(27,759)	(47,260)
Other income		93,919	90,369
Selling and distribution costs		(12,597)	(9,852)
Administrative expenses		(94,794)	(108,185)
Reversals of impairment losses under expected credit loss model, net		384,788	58,950
Impairment of property, plant and equipment and right-of-use assets		-	(12,982)
Finance costs	6	<u>(3,923)</u>	<u>(4,898)</u>
Profit (loss) before taxation		415,128	(4,195)
Taxation	7	<u>(111,026)</u>	<u>(28,621)</u>
Profit (loss) for the year	8	<u>304,102</u>	<u>(32,816)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTE</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Other comprehensive expense			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Reversal of revaluation of a property, net of tax effect		-	(7,341)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>(7,495)</u>	<u>(47,985)</u>
Other comprehensive expense for the year		<u>(7,495)</u>	<u>(55,326)</u>
Total comprehensive income (expense) for the year		<u>296,607</u>	<u>(88,142)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		304,179	(32,727)
Non-controlling interests		<u>(77)</u>	<u>(89)</u>
		<u>304,102</u>	<u>(32,816)</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		296,642	(88,106)
Non-controlling interests		<u>(35)</u>	<u>(36)</u>
		<u>296,607</u>	<u>(88,142)</u>
Earnings (loss) per share	9		
Basic		<u>HK\$0.77</u>	<u>(HK\$0.08)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	<u>NOTES</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Non-current assets			
Property, plant and equipment		75,869	30,321
Right-of-use assets		95	-
Investment properties		779,718	-
Deferred Consideration	10	88,402	328,616
Loans receivable	11	41,096	34,591
Investments in debt instruments		288,799	461,045
Interests in associates		-	-
		<u>1,273,979</u>	<u>854,573</u>
Current assets			
Inventories		20,671	27,009
Loans receivable	11	6,949	-
Contract assets		64,148	71,941
Debtors and prepayments	12	118,439	102,704
Investments at fair value through profit or loss ("FVTPL")		175,723	170,463
Amounts due from associates		104	83
Taxation recoverable		1,764	1,251
Investments in debt instruments		336,103	67,257
Bank deposits		-	271,930
Bank balances and cash		138,133	243,624
		<u>862,034</u>	<u>956,262</u>
Current liabilities			
Creditors and accrued charges	13	188,185	209,245
Other payables		142,689	201,000
Warranty provision		19,918	14,361
Contract liabilities		83,113	89,631
Lease liabilities		2,304	2,050
Bank borrowings		31,628	-
Taxation payable		167,241	8,176
		<u>635,078</u>	<u>524,463</u>
Net current assets		<u>226,956</u>	<u>431,799</u>
Total assets less current liabilities		<u>1,500,935</u>	<u>1,286,372</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2023

	<u>NOTE</u>	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Capital and reserves			
Share capital		3,940	3,940
Reserves		<u>1,465,132</u>	<u>1,180,309</u>
Equity attributable to owners of the Company		1,469,072	1,184,249
Non-controlling interests		<u>(39)</u>	<u>(4)</u>
Total equity		<u>1,469,033</u>	<u>1,184,245</u>
Non-current liabilities			
Creditors and accrued charges	13	-	3,501
Warranty provision		4,190	2,913
Lease liabilities		3,206	5,511
Deferred tax liabilities		<u>24,506</u>	<u>90,202</u>
		<u>31,902</u>	<u>102,127</u>
		<u>1,500,935</u>	<u>1,286,372</u>

Notes:

1. GENERAL

The Company is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain buildings and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Types of goods or service		
Contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery		
- Printed Circuit Boards	197,697	189,166
- Surface Finishing	<u>121,676</u>	<u>54,477</u>
	319,373	243,643
Sale of spare parts of electroplating machinery	11,212	9,166
Provision of services - repairs, maintenance and modification	<u>62,743</u>	<u>66,864</u>
Total	<u><u>393,328</u></u>	<u><u>319,673</u></u>
	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Timing of revenue recognition		
A point in time	11,212	9,166
Over time	<u>382,116</u>	<u>310,507</u>
Total	<u><u>393,328</u></u>	<u><u>319,673</u></u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information

Segment revenue and results

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. For the purpose of resources allocation and assessment of performance, the executive directors, being the chief operating decision makers, regularly review the Group's revenue by types of goods or services, no further discrete financial information was provided other than segment results of the operating segment as a whole. Reconciliation of the operating segment result to profit (loss) before taxation is as follows:

	Electroplating equipment	
	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Segment revenue	393,328	319,673
Segment profit (loss)	12,489	(51,667)
Intra-group management fee charged to operating segment	4,627	4,452
Certain other income	92,333	87,574
Certain other gains and losses	(30,001)	(66,643)
Central corporate expenses	(52,211)	(33,705)
Reversals of impairment losses for loans receivable investments in debt instruments and Deferred Consideration under ECL model, net	389,809	60,122
Imputed interest on non-current portion of provision for performance related incentive payments	(1,918)	(4,328)
Profit (loss) before taxation	415,128	(4,195)

Segment profit (loss) represents the gross profit (loss) of the electroplating equipment segment, certain other income and expenses directly attributable to the segment activity (including intra-group management fee) but excluding other income (including interest income and sundry income), certain other gain or losses (including net change in fair value of investments at FVTPL and investment properties), and central corporate expenses including auditor's remuneration and directors' emoluments, reversals of impairment losses for loans receivable and Deferred Consideration under ECL model, net, adjustment on provision for performance related incentive payments and imputed interest on non-current portion of provision for performance related incentive payments. This is the measure reported to the chief operating decision maker in order to assess segment performance.

5. OTHER GAINS AND LOSSES

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Net change in fair value of investments at FVTPL	12,089	6,786
Net exchange loss	(12,329)	(54,025)
Gain (loss) on disposal of property, plant and equipment	299	(21)
Change in fair value of investment properties	(28,459)	-
Others	641	-
	<u>(27,759)</u>	<u>(47,260)</u>

6. FINANCE COSTS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Interest on lease liabilities	465	235
Imputed interest on non-current portion of provision for performance related incentive payments	1,918	4,328
Interest on bank borrowings	1,540	335
	<u>3,923</u>	<u>4,898</u>

7. TAXATION

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Hong Kong taxation	1,400	-
PRC Enterprise Income Tax	167,558	9,747
PRC withholding tax	5,643	-
	174,601	9,747
Deferred tax (credit) charge	(63,575)	18,874
	<u>111,026</u>	<u>28,621</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the year ended 31 December 2022 as the group entities subjected to Hong Kong Profits Tax have no assessable profits for that year.

PRC Enterprise Income Tax is calculated at 25% of the assessable profits of the entities established in the PRC. Withholding tax is levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

8. PROFIT (LOSS) FOR THE YEAR

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,530	1,500
Cost of inventories recognised as expenses (note i)	217,713	188,493
Gross rental income from investment properties	(1,177)	-
Less: direct operating expense from investment properties that generated rental income during the year	2,884	-
	<u>1,707</u>	<u>-</u>
Depreciation of property, plant and equipment	2,132	3,484
Depreciation of right-of-use assets	874	4,877
Staff costs:		
Directors' fee	300	300
Directors' salaries, other benefits and performance related incentive payments	13,200	13,200
Adjustments on provision for performance related incentive payments	16,081	-
Salaries and allowances	89,217	98,965
Contributions to retirement benefits schemes	1,642	1,607
Termination benefits	-	22,390
	<u>120,440</u>	<u>136,462</u>
(Reversals of impairment losses) impairment losses for financial assets and contract assets, net:		
- Trade debtors	(212)	1,381
- Contract assets	5,233	(209)
- Loans receivable	4,175	(1,222)
- Investments in debt instruments	1,927	-
- Deferred Consideration	(395,911)	(58,900)
	<u>(384,788)</u>	<u>(58,950)</u>
Interest income from financial assets at amortised cost (included in other income):		
- loans receivable	(2,106)	(2,867)
- Deferred Consideration	(45,764)	(45,498)
- investments in debt instruments	(25,175)	(14,018)
- bank deposits	(2,635)	(11,333)
	<u>(75,680)</u>	<u>(73,716)</u>
Dividend income (included in other income)	(11,608)	(11,940)
Government grants (included in other income)	(17)	(2,746)
	<u><u> </u></u>	<u><u> </u></u>

Note i: Amount includes allowance for slow moving inventories of HK\$265,000 (2022: reversal of allowance for slow moving inventories of HK\$587,000).

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Earnings (loss) for the year attributable to owners of the Company	<u>304,179</u>	<u>(32,727)</u>
Number of ordinary shares	<u>393,953,400</u>	<u>419,011,811</u>

No diluted earnings (loss) per share have been presented as there are no potential ordinary shares in issue during both years.

10. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party (together with its associates, defined as the "Counterparty") in relation to a re-development plan of two parcels of industrial land located in Bao An District, Shenzhen, the PRC from industrial land into residential properties for resale. The Group has undertaken a series of negotiations with the Counterparty on the settlement scheme. On 28 June 2019 and 9 September 2019, the negotiation was finalised and the Group is offered a guaranteed cash consideration of RMB2.75 billion (equivalent to approximately HK\$3.1 billion) payable by six tranches which are due within on or before 6 January 2020 to on or before 5 January 2023. The Deferred Consideration is measured at amortised cost using the effective interest method, less any impairment. As at 31 December 2023 and 2022, the aggregate outstanding instalment payments amounted to RMB1,550,000,000 has been defaulted.

During the years ended 31 December 2023 and 2022, the Group has negotiated with the Counterparty to obtain collaterals in order to reduce its loss exposure. There are no other changes to the terms of the agreement or settlement scheme including the repayment terms and the late payment penalty terms since the default of the Counterparty, in which the Group is entitled to charge RMB50,000 per day for the first six months from the date of default and RMB100,000 per day from the seventh month from the date of default. Interest income of HK\$45,764,000 (2022: HK\$45,498,000) is recognised by applying the effective interest rate to the amortised cost of the Deferred Consideration. During the years ended 31 December 2023 and 2022, the Group has not received any cash settlement from the Counterparty apart from the penalty interest. In addition, the Group has obtained titles of properties situated in the PRC (comprising of investment properties and leasehold land and buildings) with an aggregate amount of RMB588,857,000 (approximately HK\$647,032,000 at respective dates of transaction) resulting in a corresponding reduction in the gross carrying amount.

11. LOANS RECEIVABLE

The following is the maturity profile of the loans receivable at the end of the reporting period:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Repayable within one year (note b)	7,500	-
Repayable after one year (notes a, b and c)	50,153	40,024
Less: Impairment losses under ECL model	<u>(9,608)</u>	<u>(5,433)</u>
	<u>48,045</u>	<u>34,591</u>
Analysed for reporting purposes as:		
Current	6,949	-
Non-current	<u>41,096</u>	<u>34,591</u>
	<u>48,045</u>	<u>34,591</u>

Notes:

- (a) The Group entered into a loan facility agreement ("Loan Facility Agreement") with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited ("Wisdom Wealth Resources"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of KTFG. Pursuant to the Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK\$80,000,000 bearing interest at prime rate as announced from time to time by The Hongkong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars ("HSBC Prime Rate") for a term of three years commencing from the loan effective date and ending on 20 October 2025 (2022: 20 October 2025). As at 31 December 2023, a loan of HK\$37,000,000 (2022: HK\$19,500,000) was drawn by KTFG according to the terms of the Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.77% (2022: 5.14%) per annum.
- (b) A loan amounted approximately HK\$7,500,000 (2022: HK\$7,500,000) as at 31 December 2023 was granted under a revolving loan facility agreement of HK\$20,000,000 with an independent third party as entered in May 2022. The loan bears interest at HSBC Prime Rate plus 3% per annum for the first HK\$3,500,000 and HSBC Prime Rate beyond HK\$3,500,000 and secured by a first mortgage of a property as provided by the borrower and matures on 6 May 2024.
- (c) A loan amounted approximately HK\$13,000,000 was granted under a loan agreement with an independent third party with outstanding principal amount of HK\$12,982,000 (2022: HK\$12,982,000) at 31 December 2023, which is repayable in full in December 2025. The loan bears interest at HSBC Prime Rate for a portion of HK\$6,500,000 and 2.2% per annum for the remaining portion and secured by a second mortgage of a property owned by the spouse of the borrower. At 31 December 2023 and 2022, the borrower also provided an additional cash security of HK\$1,000,000 and such amount is included as "other payable" on the consolidated statement of financial position.

As at 31 December 2023, impairment losses under ECL model of loans receivable of HK\$9,608,000 (2022: HK\$5,433,000) are recognised.

12. DEBTORS AND PREPAYMENTS

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Trade debtors from contracts with customers	52,002	42,054
Less: Allowance for credit losses	<u>(1,685)</u>	<u>(1,897)</u>
	50,317	40,157
Rental and utilities deposits	1,748	2,430
Deposits paid for purchases of raw materials	36,818	33,562
Deposits paid for subcontracting costs	2,705	4,549
Account balance placed with a broker	5,330	933
Interest receivable	10,231	11,858
Other tax receivables	3,806	3,839
Other debtors and prepayments	<u>7,484</u>	<u>5,376</u>
	<u>118,439</u>	<u>102,704</u>

The following is an ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which is approximated the respective recognition dates for sales of goods or respective dates of the achievement of the relevant milestone as stipulated in the relevant service contracts as appropriate:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
0 - 60 days	48,513	38,625
61 - 120 days	610	149
121 - 180 days	1,176	785
Over 180 days	<u>18</u>	<u>598</u>
	<u>50,317</u>	<u>40,157</u>

13. CREDITORS AND ACCRUED CHARGES

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Trade creditors	104,161	93,341
Accrued staff costs	17,941	43,247
Accrued transaction costs associated with Deferred Consideration	2,988	-
Commission payables to sales agents	9,403	15,185
Provision for performance related incentive payments	27,072	36,073
Rental deposits received	1,373	-
Other creditors and accrued charges for operating costs	25,247	24,900
	<u>188,185</u>	<u>212,746</u>
Less: Non-current portion of provision for performance related incentive payments	<u>-</u>	<u>(3,501)</u>
	<u>188,185</u>	<u>209,245</u>

The following is an ageing analysis of trade creditors presented based on invoice date as at the end of the reporting period:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
0 - 60 days	32,729	31,928
61 - 120 days	18,931	26,154
121 - 180 days	19,823	19,320
Over 180 days	32,678	15,939
	<u>104,161</u>	<u>93,341</u>

The average credit period on purchase of goods is 60 - 180 days. (2022: 60 - 180 days).

Chairman's Statement and Management Discussions

FINANCIAL RESULTS

During the year ended 31 December 2023 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK\$304,179,000 compared to the loss attributable to owners of the Company of approximately HK\$32,727,000 for the year ended 31 December 2022 ("the Previous Period"). The significant increase in the Group's profit attributable to owners of the Company was mainly due to the off-setting effect of (i) increase in the reversals of impairment losses under expected credit loss model; (ii) increase in tax provision; (iii) decrease in other gains or losses; (iv) decrease in administrative expenses and (v) rise in profit margin as compared to the Previous Period.

The basic earnings per share for the Period Under Review was HK\$0.77 compared to the basic loss per share of HK\$0.08 of the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK\$393,328,000 or 23.0% more than the Previous Period. Higher revenue reported during the Period Under Review was mainly due to increased sales in global car sales and regained demand for high-end communication device.

In terms of business segment, approximately 61.9% of the revenue was generated from PCB sector (the Previous Period: approximately 77.6%), and approximately 38.1% came from surface finishing sector (the Previous Period: approximately 22.4%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 42.3% machine values were installed in PRC (the Previous Period: 74.6%), 14.4% in South Korea (the Previous Period: 4.3%), 13.6% in Mexico (the Previous Period: 5.0%), 10.0% in the USA (the Previous Period: 4.8%), 5.9% in the Philippines (the Previous Period: 0%), 2.8% in the UK (the Previous Period: 0.3%), 2.6% in India (the Previous Period: 0.7%), and 8.4% in rest of the world (the Previous Period: 10.3%).

Gross Profit

Due to implementation of cost control measures, the average gross profit was 19.2% which was higher than the Previous Period (approximately 9.3%).

Other gains and losses of approximately HK\$27,759,000

This mainly represented (a) net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK\$12,089,000 (the Previous Period: gain of HK\$6,786,000) (b) net exchange loss of approximately HK\$12,329,000 (the Previous Period: loss of HK\$54,025,000) and (c) change in fair value of investment properties of approximately HK\$28,459,000 (the Previous Period: nil).

(a) Net change in realized and unrealized fair value gain of investments at FVTPL of approximately HK\$12,089,000 (the Previous Period: gain of HK\$6,786,000)

All investments at FVTPL were recorded at fair value as at 31 December 2023 and represented listed securities in Hong Kong. The gain of approximately HK\$12,089,000 represents fair value gain of investments at FVTPL, as a result of mark to market valuations as at the balance sheet date.

Below are information of the Group's investments at FVTPL as at 31 December 2023:

Company Name / Stock Code	% of Shareholding as at 31 December 2023	Fair value change HK\$'000	Fair value as at 31 December 2023 HK\$'000	% of Total Assets of the Group as at 31 December 2023	Fair value as at 31 December 2022 HK\$'000	% of Total Assets of the Group as at 31 December 2022
Shanghai Industrial Urban Development Group Ltd. (563)	0.26%	(3,588)	4,720	0.22%	8,308	0.46%
Q P Group Holdings Ltd. (1412)	1.59%	(1,017)	10,508	0.49%	11,525	0.64%
Hysan Development Company Ltd. (14)	0.07%	(7,448)	11,780	0.55%	19,228	1.06%
SenseTime Group Inc. (20)	0.01%	(4,070)	4,455	0.21%	8,525	0.47%
China Mobile Ltd. (941)	0.01%	26,100	129,600	6.07%	103,500	5.72%
China Construction Bank Corporation (939)	0.00%	(240)	4,650	0.22%	4,890	0.27%
Agricultural Bank of China Ltd. (1288)	0.00%	330	3,010	0.14%	2,680	0.15%
MTT Group Holdings Ltd. (2350)	0.64%	4,444	2,032	0.10%	4,417	0.24%
Others		(2,422)	4,968	0.23%	7,390	0.41%
Total		<u>12,089</u>	<u>175,723</u>	<u>8.23%</u>	<u>170,463</u>	<u>9.42%</u>

(b) net exchange loss of approximately HK\$12,329,000 (the Previous Period: loss of HK\$54,025,000)

The net exchange loss was mainly due to the exchange loss arising from year end revaluation of bank deposits and investments in debt instruments which was denominated in RMB. During the Period Under Review, RMB was depreciated by approximately 1.4%.

(c) change in fair value of investment properties of approximately HK\$28,459,000 (the Previous Period: nil).

As at 31 December 2023, the Group has obtained titles of (i) certain retail shops and offices located at Longhua PRC, (ii) certain office units located in Hong Kong and (iii) certain car parks located in Hong Kong. They are collectively referred to as Investment Properties in this result announcement.

This amount represented the difference between the amount attributed to the Investment Properties when initially recognised in accordance with the specific requirements of HKFRSs and the fair value as at 31 December 2023 as calculated by an independent valuer. The amount attributed to the Investment Properties included all transaction costs and tax paid for the acquisitions.

Other income of approximately HK\$93,919,000

This mainly represented (a) interest and fees arising from loans receivable of approximately HK\$2,106,000 (the Previous Period: HK\$2,867,000) (b) interest received from bank deposits of approximately HK\$2,635,000 (the Previous Period: HK\$11,333,000) (c) interest income from investments in debt instruments of approximately HK\$25,175,000 (the Previous Period: HK\$14,018,000) (d) imputed interest income on Deferred Consideration of approximately HK\$45,764,000 (the Previous Period: HK\$45,498,000) and (e) dividend income of approximately HK\$11,608,000 (the Previous Period: HK\$11,940,000).

(a) Interest and fees arising from loans receivable

On 7 September 2022, the Group entered into a loan facility agreement (“2022 Loan Facility Agreement”) with Karl Thomson Financial Group Limited (“KTFG”), which is a wholly owned subsidiary of Wisdom Wealth Resources Investment Holding Group Limited (“Wisdom Wealth Resources”). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of KTFG. Pursuant to 2022 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK\$80,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars (“Prime Rate”) for a term of three years commencing from the loan effective date and ending on 20 October 2025.

During the Period Under Review, the Group has received interest income of approximately HK\$1,316,000 (the Previous Period: interest income and handling fee income of approximately HK\$1,389,000 and HK\$240,000 respectively) from KTFG.

Besides the revolving loan facility with KTFG, the Group has also received interest income of approximately HK\$790,000 from other loans with independent third parties (the Previous Period: HK\$1,478,000).

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK\$2,635,000 (the Previous Period: HK\$11,333,000).

(c) Interest income from investments in debt instruments

Interest income from investments in debt instruments was approximately HK\$25,175,000 (the Previous Period: HK\$14,018,000).

(d) Imputed interest income on Deferred Consideration

Please refer to note 10 of the financial information of this result announcement for more detailed explanation on the imputed interest income of approximately HK\$45,764,000 (the Previous Period: HK\$45,498,000).

(e) Dividend income

Dividend income from investments at FVTPL was approximately HK\$11,608,000 (the Previous Period: HK\$11,940,000).

The balance is various miscellaneous income and fees received.

Selling and Distribution Costs of approximately HK\$12,597,000

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. The costs for the Period Under Review was 27.9% higher than the Previous Period. It was primarily due to more sales activities in the post-pandemic recovery.

Administrative expenses of approximately HK\$94,794,000

The administrative expenses for the Period Under Review was 12.4% lower than the Previous Period. The decrease was mainly due to (a) provision for performance related incentive payments payable to executive directors of the Group in the Period Under Review (b) provision of redundancy cost in the Previous Period and (c) decrease in day-to-day administrative expenses.

(a) Provision for performance related incentive payments of approximately HK\$16,081,000 (the Previous Period: nil)

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on the overall financial performance of the Group for a financial year. Overall financial performance of the Group refers to the profit after taxes attributable to the owners of the company as reported in the annual report.

(b) Provision of redundancy cost of approximately HK\$22,390,000 in the Previous Period

In the Previous Period, the Group has made a provision of redundancy cost of approximately HK\$22,390,000.

No such provision was made in the Period Under Review.

(c) Decrease in day-to-day administrative expenses

After taking out the effect of provision for performance related incentive payments in the Period Under Review and the provision of redundancy cost in the Previous Period, the day-to-day administrative expenses for the Period Under Review was approximately HK\$78,713,000 which is lower than the Previous Period (the Previous Period: HK\$85,795,000). It was mainly due to reduction in headcount during the Period Under Review and our continuous effort in controlling our operating costs in order to drive an improved performance.

As a benchmark, the average inflation rates in China and Hong Kong for 2023 were 0.2%¹ and 2.1%² respectively.

¹ Inflation rate in China is reported by the National Bureau of Statistics of China.

² Inflation rate in Hong Kong is reported by Census and Statistics Department of Hong Kong.

Reversals of impairment losses under expected credit loss model, net

This represented reversals of impairment losses (impairment losses) under expected credit loss model for trade debtors, contract assets, loans receivable, Deferred Consideration, net, as below:-

	Year ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Trade debtors	212	(1,381)
Contract assets	(5,233)	209
Loans receivable	(4,175)	1,222
Investments in debt instruments	(1,927)	-
Deferred Consideration	395,911	58,900
Reversed amount	384,788	58,950

The Group recognized a reversal of impairment losses of approximately HK\$395,911,000 (the Previous Period: HK\$58,900,000) for Deferred Consideration. Please refer to note 10 of the financial information of this result announcement for more details.

Impairment of property, plant and equipment and right-of-use assets in the Previous Period

In the Previous Period, the Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment as well as right-of-use. Given that the property market prices have dropped in general for the Previous Period, the Group has engaged an independent valuer to assess the fair value over certain property. Based on such valuation, an impairment of approximately HK\$5,421,000 was made. In addition, the Group has also reviewed the carrying value of the right-of-use assets which are engaged for our electroplating equipment businesses, an impairment of approximately HK\$7,561,000 was made. The right-of-use assets are mainly related to the leases for our factories in China.

No indication of additional impairment was identified for the Period Under Review.

Finance cost of approximately HK\$3,923,000

This represented mainly (a) the imputed interest expenses on non-current portion of provision of performance related incentive payments of approximately HK\$1,918,000 (the Previous Period: HK\$4,328,000), (b) the interest expenses on lease liabilities of approximately HK\$465,000 (the Previous Period: HK\$235,000) and (c) interest on bank borrowings of approximately HK\$1,540,000 (the Previous Period: HK\$335,000).

Since the provision for performance related incentive payments was discounted to present value in years before, when the expected payment timetable comes closer, the present value of such incentive payments will be revised upwards. An imputed interest expense will arise accordingly.

The lease liability is treated as a borrowing, with its value increased as interest is recognised and decreased as lease payments are made.

Taxation of approximately HK\$111,026,000

During the Period Under Review, the Group recorded an estimated tax charge of approximately HK\$109,458,000 (the Previous Period: HK\$27,661,000) associated with Deferred Consideration.

The balance of approximately HK\$1,568,000 represented mainly taxes paid and to be paid by our wholly-owned subsidiaries in Hong Kong and Taiwan.

Exchange difference arising on translation of foreign operation of approximately HK\$7,495,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the appreciation in RMB (of approximately HK\$1,360,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK\$6,135,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to note 10 of the financial information of this result announcement for more detailed explanation.

Loans receivable

On 7 September 2022, the Group entered into 2022 Loan Facility Agreement with KTFG, which is a wholly owned subsidiary of Wisdom Wealth Resources. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of KTFG. Pursuant to 2022 Loan Facility Agreement, the Group provides an unsecured revolving loan facility of HK\$80,000,000 bearing interest at Prime Rate for a term of three years commencing from the loan effective date and ending on 20 October 2025.

As at 31 December 2023, a loan of approximately HK\$37,000,000 (31 December 2022: approximately HK\$19,500,000) was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.77% (the Previous Period: 5.14%) per annum.

As reported in above, the total interest earned in relation to above loan was approximately HK\$1,316,000 (the Previous Period: interest income and handling fee income of approximately HK\$1,389,000 and HK\$240,000 respectively).

Besides the revolving loan facility with KTFG, the Group has a few loans with independent third parties bearing interest between 2.2% to 8.875% per annum and the Group has received interest income of approximately HK\$790,000 from these loans during the Period Under Review (the Previous Period: HK\$1,478,000).

The carrying amount for each respective period is shown below:-

	As at 31/12/2023 HK\$'000	As at 31/12/2022 HK\$'000
Principal outstanding repayable within one year	7,500	-
Principal outstanding repayable after one year	50,153	40,024
Less impairment loss allowance	(9,608)	(5,433)
Net carrying amount	48,045	34,591
Analysed for reporting purpose as:		
Current	6,949	-
Non-current	41,096	34,591
	48,045	34,591

Investments in debt instruments

Investments in debt instruments made by the Group as of 31 December 2023 are set out below:

No	Issuer	Bond Currency	Coupon rate	Maturity date	Investment cost as at 31/12/2023 (HK\$'000)	Bond Credit rating S&P's	Bond Credit rating Moody's	% to Group's total assets (note)
1	Bank of Comm Co Ltd	RMB	3.15%	2024/12/13	18,798	A-	NR	0.9%
2	Henderson Land MTN Ltd	RMB	3.30%	2024/2/7	99,270	NR	NR	4.6%
3	Wharf REIC Finance BVI Ltd	RMB	2.95%	2024/1/19	23,094	NR	A2	1.1%
4	Wharf Finance BVI Ltd	RMB	3.25%	2024/1/14	54,907	NR	NR	2.6%
5	Sun Hung Kai Properties Capital Market Ltd	RMB	2.80%	2024/6/24	15,272	A+	NR	0.7%
6	Barclays Bank PLC	RMB	4.00%	2024/3/24	16,586	A-	NR	0.8%
7	Wharf REIC Finance BVI Ltd	RMB	3.85%	2024/4/6	55,132	NR	A2	2.6%
8	China Construction Bank Corp of London	RMB	3.40%	2024/5/17	22,115	NR	A1	1.0%
9	Standard Chartered Bank	RMB	3.58%	2025/8/25	55,150	NR	NR	2.6%
10	Sun Hung Kai Properties Capital Market Ltd	RMB	3.20%	2027/8/14	5,261	NR	NR	0.2%
11	NWD MTD Ltd	USD	5.88%	2027/6/16	3,877	NR	NR	0.2%
12	NWD Finance BVI Ltd	USD	6.15%	Perpetual	7,754	NR	NR	0.4%
13	HKSAR Gov't of PRC	RMB	3.00%	2025/1/11	11,052	A++	AA-	0.5%
14	Link Finance Cayman 2009 Ltd	RMB	3.55%	2025/11/14	88,454	A	A2	4.1%
15	Bank of China Ltd, HK Branch	RMB	2.93%	2025/3/27	71,803	A	NR	3.4%
16	China Education Group	RMB	4.00%	2026/4/19	2,194	AA	NR	0.1%
17	Shanghai Commercial Bank Ltd	RMB	6.38%	2033/2/28	1,929	NR	A1	0.1%
18	HSBC Holdings PLC	USD	8.00%	Perpetual	1,552	NR	NR	0.1%
19	Bank of East Asia Ltd	USD	6.75%	2027/3/15	19,366	A	A3	0.9%
20	Swire Properties MTN Financing Ltd	RMB	3.20%	2025/1/18	16,525	NR	A2	0.8%
21	HK Mortgage Corp Ltd	USD	5.05%	2024/2/23	30,928	AA+	NR	1.4%
22	Bank of East Asia Ltd	USD	6.75%	2027/3/15	5,810	A	A3	0.3%
Total investment cost					626,829			
Less: impairment losses under ECL model					(1,927)			
Net carrying amount					624,902			

Note: None of these investments represented more than 5% of the Group's total assets as at 31 December 2023.

The carrying amount for each respective period is shown below:-

	As at 31/12/2023 HK\$'000	As at 31/12/2022 HK\$'000
Investment cost	626,829	528,302
Less impairment loss allowance	(1,927)	-
Net carrying amount	642,902	528,302
Analysed for reporting purpose as:		
Current	336,103	67,257
Non-current	288,799	461,045
	642,902	528,302

The acquisition of the bonds forms part of the Group's ordinary course of treasury activities in managing its financial assets. The bonds offer a better return when compared to fixed-term deposit interest rates offered by commercial banks in Hong Kong. Primary objective of these investments is to collect the contractual interest due and principal upon maturity. At time of investment, the Group will consider the acquisition prices, the coupon rate, the maturity date and the background of the issuers.

Investments at FVTPL

The Group's investment strategy is to pursue a balanced approach in exploring favourable short-term and long-term investments to, including but not limited to, (a) build a diversified portfolio which can deliver steady income to the Group; (b) offer potential capital gain and (c) invest in sector(s) with long term potential growth. The Group will strive to deliver a diversified investment portfolio which offers potential growth while maintaining a relatively prudent capital management approach.

As at 31 December 2023, the Group held 21 listed equity securities in Hong Kong with the fair value of HK\$175.7 million.

Company Name / Stock Code	Note	Investment Cost HK\$'000	Fair value as at 31 December 2023 HK\$'000	% as compared to the Group's total assets as at 31 December 2023	Dividend received HK\$'000	Fair value change HK\$'000	Fair value as at 31 December 2022 HK\$'000
China Mobile Ltd. (941)	(a)	102,739	129,600	6.07%	8,352	26,100	103,500
Others	(b)	100,310	46,123	2.16%	3,256	(14,011)	66,963
Total		203,049	175,723	8.23%	11,608	12,089	170,463

Notes:

(a) The principal business of the investee, China Mobile Limited ("China Mobile"), is the provision of communication and information services. As of 31 December 2023, the Group held 2,000,000 shares in China Mobile which represented approximately 0.01% of the total issued shares of China Mobile and approximately 6.07% of the Group's total assets. During the year, the fair value change of approximately HK\$26,100,000 represented unrealised fair value gain of approximately HK\$26,100,000. The Group received a dividend of approximately HK\$8,352,000 during year 2023. China Mobile's revenue has grown steadily from approximately RMB746 million in year 2019 to RMB1,009 million in year 2023. For each financial year in last five years, its net profit after taxes was over RMB100 million. Solid financial performance has demonstrated the strength of its management team. The dividend payout ratio was 71% in year 2023. The management of China Mobile has publicly committed to gradually increase the dividend payout to 75% in the next three-year period from 2024. The Board believes that the investment in China Mobile will bring steady income to the Group.

(b) None of these investments represented more than 5% of the Group's total assets as at 31 December 2023.

Contract assets

The Group is entitled to invoice customers for construction of custom-built electroplating machinery and other industrial machinery based on achieving a series of performance-related milestones. The contract assets represent the amount which the Group is entitled to claim against the customers for the work completed but not yet billed. They are not billed because the agreed performance-related milestones are still under processed. When a performance-related milestone of a certain project is completed, such related contract assets will be transferred to trade receivables.

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2023 was HK\$188,185,000 which was approximately HK\$21,060,000 lower than the Previous Period. Please refer to note 13 of the financial information of this result announcement for more details. The decrease was mainly due to the off-setting effect of (a) increase in trade creditors by approximately HK\$10,820,000 (b) provision of approximately HK\$22,390,000 of redundancy cost in late 2022 and (c) decrease in current portion of provision for performance related incentive payments payable to executive directors by approximately HK\$5,500,000.

Contract liabilities

From time to time, customers will pay to the Group various performance related milestone payments in accordance with accepted purchase orders or agreed contracts. Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has already received consideration from the customers.

Accrued charges of approximately HK\$3,501,000 under non-current liability in the Previous Period

It was related to provision for performance related incentive payments payable and was discounted to present value in the Previous Period.

Deferred tax of approximately HK\$24,506,000 under non-current liabilities

The Group has recorded a deferred taxation of approximately HK\$22,101,000 as estimated taxation expenses in relation to the estimated recoverable amount from the Counterparty.

The balance of approximately HK\$2,405,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK\$45,000, credit of approximately HK\$392,000 for impairment losses on assets, and withholding tax provision for dividend payable by a PRC subsidiary of approximately HK\$2,752,000.

BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT (UNDER THE TRADE NAME OF “PAL”)

Electroplating Equipment-Printed Circuit Boards (“PCB”) Sector

This sector is traded through our subsidiary Process Automation International Ltd (“PAL”).

During the Period Under Review, the revenue in this business area increased from HK\$189,166,000 in Previous Period to HK\$197,697,000, representing 4.5% rise. Out of this total revenue, from the perspective of installation location, nearly 35.3% were shipments made to PRC (91.0% in Previous Period), 26.7% were shipments made to Korea (0.9% in Previous Period) and 17.1% were shipments made to the USA (0.6% in Previous Period).

Two main markets driving our revenue in PCB sector are PCBs used in smartphone and car. The development of car industry is elaborated in our other sector, surface finishing sector, below.

According to a preliminary report released by IDC, worldwide smartphone shipments increased by 8.5% year over year in the fourth quarter of 2023 at shipment volume of approximately 326.1 million units. However, on an annual basis, worldwide shipments still recorded a drop of 3.2%.

Top 5 Smartphone Companies, Worldwide Shipments, Market Share, and Year-Over-Year Growth, Q4 2023 and full year (shipments in millions of units)

Company	4Q 2023 Shipment Volumes	4Q 2023 Market Share	2023 Shipment Volumes	2022 Shipment Volumes	Year-Over-Year Change
Apple	80.5	24.7%	234.6	226.3	3.7%
Samsung	53.0	16.3%	226.6	262.3	-13.6%
Xiaomi	40.7	12.5%	145.9	153.2	-4.7%
Transsion	28.2	8.6%	103.1	114.4	-9.9%
Vivo	24.1	7.4%	94.9	72.6	30.8%
Others	99.5	30.5%	361.8	377.2	-4.1%
Total	326.1	100.0%	1166.9	1205.9	-3.2%

Due to rounding, some figures may not add up precisely to the totals shown

Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 15, 2024

Apple and Transsion, which sells Tecno, Infinix and itel brands, were the only two of the top five smartphone vendors who recorded a growth in sales in last year. “Apple’s ongoing success and resilience is fuelled by aggressive trade-in offers and interest-free financing plans.” said Ryan Reith, group vice president of IDC.

Apart from the drop in smartphone demand, consumption of other electronic products was also dropped in 2023. The imbalance in supply and demand during COVID-19 in 2021 and 2022 created a global bubble of consumption. When the pandemic ended, pressure from destocking and interest rate increases (which aim to curb inflation) led to a massive downturn in the global PCB industry in 2023.

The worldwide smartphone market shows initial indications of a marginal rebound in 2024. Rising demand in emerging markets are key drivers to overall market recovery, but recent technological developments have also brought new energy to the smartphone market. Statistics showed that foldable smartphones continue to grow rapidly. In addition, smartphone users are getting more and more interest in getting artificial intelligence (AI) experiences on a handheld device.

Based on publicly available information, most of PCB manufacturers recorded various degree of decline in revenue in year 2023.

Electroplating Equipment-Surface Finishing (“SF”) Sector

This sector is traded through our subsidiary PAL Surface Treatment Systems Ltd (“PSTS”).

The revenue of the SF sector has increased by 123.3% from approximately HK\$54,477,000 in the Previous Period to approximately HK\$121,676,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 42.7% were shipments made to PRC (27.2% in Previous Period) and 43.5% were shipments made to Mexico (28.5% in Previous Period).

The revenue of SF sector, for past few years, was mainly streamed from multinational companies selling automotive parts.

After experiencing a flat sales in year 2022, annual global car sales increased to 75.3 million units in 2023, up 11.9% on year-to-year basis. According to reports issued by VDA, top 5 countries for car sales were:

Region	2023	2022	% Change	2021	2020
China	25,798,000	23,240,500	+ 11.0%	21,090,200	19,790,000
USA	15,457,400	13,734,200	+ 12.5%	14,913,700	14,450,800
Europe (EU+EFTA+UK)	12,847,500	11,286,900	+ 13.82%	11,774,900	11,961,200
India	4,101,700	3,792,400	+ 8.16%	3,082,400	2,435,100
Japan	3,992,700	3,448,300	+ 15.8%	3,675,700	3,810,000
COMBINED	62,197,300	55,502,300	+ 12.1%	54,536,900	52,447,100

The growth of car sales in China in 2023 was somewhat out of step with the rest of the Chinese economy. There is worry that excess production may interrupt the export market in 2024.

The fastest growing market in 2023 was Mexico. Apart from the fact that sales of light passenger vehicles were up by a quarter to 1,360,100 units, According to a report issued by International Trade Administration of United States, it is estimated that Mexico is producing 3.5 million vehicles annually. Eighty-eight percent of vehicles produced in Mexico are exported, with 76 percent destined for the United States. Established automakers in Mexico include Audi, BMW, Ford Motor Company, General Motors, Honda, Hyundai, Jac by Giant Motors, Kia, Mazda, Mercedes Benz, Nissan, Stellantis, Toyota, Volkswagen and Tesla. During the year under review, PSTS has also completed a number of projects in Mexico.

General expectation is global car sales will have low-single-digit growth in 2024.

Outlook

Pressure from negative factors such as geopolitics, high inflation, and low GDP growth are likely to continue into 2024. Demand for end-user electronic products is likely to stay conservative. On the other hands, high inventory seems to have resolved. Interest in the adaptation of Artificial Intelligence (AI) in handheld devices or various industries may bring positive demand effect on electronic products. Overall speaking, we believe 2024 is shaping up to be a very volatile and unpredictable year.

³ Figure was extracted from a report issued by Scotiabank dated 8 February 2024

MATERIAL ACQUISITION AND DISPOSAL

(a) Material acquisitions and disposals of assets

Reference is made to the announcements of the Company dated 18 January 2023, 16 February 2023, 9 March 2023, 21 March 2023, 22 March 2023, 14 May 2023, 18 May 2023 in relation to the acquisition and disposal of bonds and listed equities. Holdings as at 31 December 2023 were disclosed in the sections “Investments in debt instruments” and “Investments at FVTPL” above.

(b) Major transaction in relation to the settlement agreement

Reference is made to the announcement of the Company dated 9 October 2023 and the circular of the Company dated 23 February 2024 (“Circular I”).

On 9 October 2023, PASL (as defined in Circular I) entered into a settlement agreement with the counterparties and pursuant to which the Group has released mortgages in relation to certain residential properties in Hong Kong and the Project Company has transferred certain retail shops located in PRC to PASL (“Properties I”). Titles of Properties I were transferred to PASL on 19 October 2023.

With effect from 20 October 2023, PASL is entitled to the rental income generated from Properties I.

In connection with the transfer of Properties I, the Project Company (as defined in Circular I) is required to issue a fapiao (發票) to PASL. If fapiao is issued to PASL, PASL will agree to partially offset the amount due by the Project Company up to a maximum amount of approximately RMB205 million. If no fapiao is issued to PASL, and subject to further negotiation with the tax department, there is a possibility (which may or may not occur) that PASL may not be able to claim tax deductions for the revenue generated from the Properties I and there may be significant adverse tax implications on value-added tax in the event that PASL subsequently sells the Properties I. In the event that no fapiao is issued, PASL has the right to elect to terminate the settlement agreement and/or claim against the Project Company for damages which PASL may suffer. If the settlement agreement is terminated, there shall be no partial settlement of the amount due by the counterparties.

On 9 October 2023, the outstanding Secured Obligations (as defined in Circular I and represents the amount due by receivable by PASL) was approximately RMB1.55 billion (excluding, among other, interest accrued thereon and liquidated damages) and is repayable on demand. Since no fapiao was issued during the Period Under Review, the outstanding Secured Obligations remain unchanged..

In March 2024, PASL received fapiao of approximately RMB78.9 million out of the total consideration of RMB205 million. PASL is currently in discussions with the Project Company for issue of the rest of fapiao.

(c) Major transaction in relation to acquisition of the target companies

Reference is made to the announcement of the Company dated 1 November 2023 and the circular of the Company dated 8 March 2024 (“Circular II”) in relation to the acquisitions of two Hong Kong companies.

Pursuant to two share transfer agreements, the Group has acquired the entire issue share capital of these two Hong Kong companies on 15 November 2023. As a result, these two Hong Kong companies has become indirect wholly-owned subsidiaries of the Company. These two Hong Kong companies are principally engaged in property investment and their principle assets are certain commercial units and car parks located in Hong Kong (“Property II”). With effect from 16 November 2023, the Group is entitled to the rental income generated from Property II.

(d) Very substantial acquisition in relation to the settlement arrangement

Reference is made to the announcement of the Company dated 29 November 2023 and 15 March 2024. As disclosed in the said announcement, PASL entered into a supplemental agreement with the counterparties and pursuant to which the Project Company has transferred certain office units located in PRC to PASL (“Properties III”) and, subject to receipt of fapiao, PASL will agree to partially offset the amount due by the Project Company up to a maximum amount of approximately RMB 384 million.

Titles of Properties III were transferred to PASL on 12 December 2023. With effect from 13 December 2023, the Group is entitled to the rental income generated from Property III.

As at the date of this announcement, no fapiao has been issued in relation to Property III.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the aforementioned supplemental agreement exceeds 100%, the transactions contemplated under the agreement constitutes a very substantial acquisition and is subject to shareholders’ approval of the Company.

The Company is still in the process of finalizing the circular. Although the titles of Properties III were transferred to PASL, the transactions contemplated under the agreement are not yet completed. The Secured Liabilities (as defined in Circular II) remain unchanged at approximately RMB 1.55 billion (excluding, among other, interest accrued thereon and liquidated damages) as at 31 December 2023.

Save as disclosed above, there were no other material acquisitions or disposals during the Period Under Review.

DEFERRED CONSIDERATION AND COLLATERALS HELD

As at 31 December 2022, the expected recoverable amount for the amount due by the Project Company to PASL was approximately HK\$328.6 million (the “Deferred Consideration”).

Because of the acquisitions stated in section headed “Material Acquisition and Disposals” above, the Group through its subsidiaries becomes the legal owner of certain properties located in Hong Kong and PRC. As the fair value of Properties I, Properties II and Properties III were higher than the Deferred Consideration as of 31 December 2022, the Group recorded a reversal of impairment losses under the expected credit loss model.

As at the date of this announcement, the Group shall continue to hold (a) a first mortgage in respect of a residential unit in Hong Kong and (b) interest-free and unsecured promissory notes for an amount of HK\$141,689,000 as collaterals for the outstanding amount due by the Project Company to PASL.

INVESTMENT PROPERTIES

The Group intends to rent out Properties I, Properties II and Properties III for the generation of stable income stream. As the consideration for the acquisitions stated in section headed “Material Acquisition and Disposals” above were either satisfied by interest-free and unsecured promissory notes or to be offset from the amount due by the Project Company, the Group has acquired the properties without immediate cash outlay. Rather, the Group will get net cash in upon the transfer of titles because of the rental income.

As of 31 December 2023, the fair value of Properties I, Properties II and Properties III was HK\$779.7 million and was classified as investment properties.

Rental income generated by the investment properties during the Period Under Review was approximately HK\$1,177,000.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 23 February 2024 and 5 March 2024 in relation to the acquisition of deposit products.

Repurchases of a total of 11,320,000 ordinary shares were made on 8 January 2024, 9 January 2024, 12 January 2024, 15 January 2024, 16 January 2024 and 17 January 2024 but such shares have not yet been cancelled as at 28 March 2024.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for disclosed in the "Continuing Connected Transactions" below, no controlling Shareholder or its subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group, to which the Company or any of its subsidiaries was a party during the year.

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 7 September 2022 and the circular dated 13 October 2022 in relation to the provision of revolving loan (the "Revolving Loan").

On 21 October 2019 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement ("2019 Loan Facility Agreement") with KTFG, pursuant to which the Lender has agreed to provide an unsecured revolving loan facility of HK\$130,000,000 to KTFG bearing interest at Prime Rate for three years ending on 20 October 2022.

On 7 September 2022 (after trading hours), the Lender entered into a loan facility agreement with KTFG, pursuant to which the Lender has agreed to provide a revolving loan facility of HK\$80,000,000 bearing interest at Prime Rate for a term from the loan effective date to 20 October 2025 (the "2022 Loan Facility Agreement").

As the KTFG is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the provision of the Revolving Loan by the Lender to the KTFG under the 2022 Loan Facility Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Revolving Loan exceed 25% but less than 100%, the entering into of the 2022 Loan Facility Agreement and the provision of the Revolving Loan constitute a major and continuing connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules. An extraordinary general meeting was convened on 28 October 2022 and the 2022 Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2023, a loan of approximately HK\$37,000,000 (31 December 2022: approximately HK\$19,500,000) was drawn by KTFG in accordance with the terms of the 2022 Loan Facility Agreement. The weighted average effective interest rate, which is equal to contractual interest rate, is 5.77% (31 December 2022: 5.14%) per annum.

Pursuant to Rule 14A.55 of the Listing Rules, both the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement have been reviewed by the Independent Non-executive Directors who have confirmed that the Revolving Loan was carried out:

- (a) in the ordinary and usual course of business of the Company;
- (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors (the "Independent Auditors") were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditors will issue their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Independent Auditors confirmed that the continuing connected transactions:

- (i) had received the approvals of the Board;
- (ii) had been entered into in accordance with the relevant agreements governing the 2019 Loan Facility Agreement and 2022 Loan Facility Agreement; and
- (iii) had not exceeded the caps disclosed in the previous circulars of the Company dated 27 September 2019 and 20 October 2022.

BUSINESS STRATEGIES

Asia Tele-Net and Technology Corporation Limited, as our name tells, is an investment holding company based in Asia. As an investment holding company, we hold investments in various disciplines with particular strength in electroplating technologies. Through our brand "PAL", it is our mission to apply electroplating technologies in different applications or business segments so that the Group would grow segment by segment. This strategy would also help us to smooth out any, if not all, cyclical effect in one particular segment or particular market and hence to produce a more stable turnover and profitability level for the benefits of shareholders.

In the normal course of identifying business opportunities, the Company from time to time engages in discussions with other independent third parties for possible business co-operations. At present, the Board confirms that there are no negotiations or agreements relating to any intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31 December 2023, the Group had equity attributable to owners of the Company of approximately HK\$1,469,072,000 (31 December 2022: HK\$1,184,249,000). The gearing ratio was 2.2% (31 December 2022: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2023, the Group had approximately HK\$138,133,000 of cash on hand (31 December 2022: HK\$515,554,000).

As at 31 December 2023, total banking facilities available to the Group for electroplating equipment segment is HK\$102,300,000 (31 December 2022: HK\$102,300,000). Out of the facilities available, the Group has not utilized any facility (31 December 2022: utilized approximately HK\$434,000 for the issuance of import letters of credit to suppliers).

As at 31 December 2023, banking facilities available to the Group for wealth management and investment purpose is HK\$931,800,000 (31 December 2022: HK\$218,000,000). The Group did not utilize any of such facility (31 December 2022: nil).

As at 31 December 2023, banking facilities available to the Group for investment properties is HK\$35,400,000. The Group has utilized approximately HK\$31,628,000 (31 December 2022: nil). Such facilities are secured by certain properties in Hong Kong.

Foreign Currency Risk

Most of the assets in the Group were denominated in Renminbi. During the Period Under Review, Renminbi has depreciated for 1.4% which has brought a negative financial impact on the Group. The Group currently does not have any foreign currency hedging policy. However, the Group will continue to monitor foreign exchange exposure and will consider hedging arrangement should the need arises.

Rest of the assets and liabilities in the Group were mainly denominated in US dollars and HK dollars.

Contingent Liabilities

As at 31 December 2023, the Company had guarantees of approximately HK\$1,034,100,000 (31 December 2022: HK\$345,000,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK\$31,628,000 (31 December 2022: HK\$434,000).

Pledge of Assets

As at 31 December 2023, certain investment properties (31 December 2022: nil) held by the Group were pledged to a licensed bank in Hong Kong for a mortgage loan.

Capital Commitment

As at 31 December 2023, the Group did not have any significant capital commitment (31 December 2022: nil).

Employee and Remuneration Policies

As at 31 December 2023, the Group employs a total of 327 employees (31 December 2022: 431), including 12 employees (31 December 2022: 20) hired by our associated company. Employees and Directors are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. The Group maintains a mandatory provident fund schemes for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in PRC. The Group also maintained appropriate insurances and medical cover for its employees.

The Company has adopted a share option scheme. No option was granted during the Period Under Review (the Previous Period: nil).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.02 (2022: HK\$0.02) per share for the Period Under Review. Subject to the approval from the shareholders at the forthcoming Annual General Meeting, the proposed final dividend is expected to be paid on or before 25 July 2024 to shareholders whose names appear on the Register of Members of the Company on 8 July 2024.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, business associates and bankers for their trust and support to the Group. To all of our employees, I appreciate your hard work, dedication and commitment over the year.

CORPORATE GOVERNANCE

The Company recognizes that good corporate governance is vital to the success of the Group and sustains development of the Group. The Company aims at complying with, where appropriate, all code provisions set out in Appendix C1 Corporate Governance Code (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Company’s corporate governance practices are based on the principles and the code provisions (“Code Provisions”) as set out in the CG Code of the Listing Rules. The Company has, throughout the year ended 31 December 2023 and up to the date of this announcement, applied and complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of code provisions C.2.1 and B.2.2, details of which are explained below.

Code provision C.2.1

The Company does not at present have any officer with the title of Chief Executive Officer (“CEO”) but instead the duties of a CEO are performed by the Managing Director (“MD”). The Company does not have a separate Chairman and MD and Mr. Lam Kwok Hing currently holds both positions. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. In addition, through the supervision of the Board which comprised of three independent non-executive directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.

Code provision B.2.2

According to Bye-laws of the Company, the Chairman or MD are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision B.2.2 of the CG Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes, together with the reasons for deviation from code provision C.2.1, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

AUDIT COMMITTEE

The Audit Committee was established in 1999 and comprises three Board members, all of whom are Independent Non-executive Directors. The Audit Committee has adopted a revised term of reference which is effective 1 March 2012 and describes the authority and duties of the Committee, as quoted under code provision D.3.3 of the CG Code.

The Audit Committee is primarily responsible for the following duties:

- (a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor.
- (b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointments, re-appointment and removal of external auditor.
- (c) to review the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee will meet at least twice each year. In 2023, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2022 and the interim results of the Group for the 6 months ended 30 June 2023, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The annual results for the financial year ended 31 December 2023 was reviewed by the Audit Committee before publication.

REMUNERATION COMMITTEE

For year 2023, the remuneration committee of the Company (the “Remuneration Committee”) is composed of three Directors, namely Messrs. Nam Kwok Lun, Ng Chi Kin David and Hong Lui Lung. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors’ service contracts; making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) is established on 27 March 2012. For year 2023, it is composed of three Directors, namely Messrs. Lam Kwok Hing, Cheung Kin Wai and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix C3 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the annual general meeting

- Latest time to lodge all transfer documents for registration with Company's registrar At 4:30 p.m. on 17 June 2024 (Mon)
- Closure of Register of Members 18 June 2024 (Tue) to 24 June 2024 (Mon) (both dates inclusive)
- Record date 24 June 2024 (Mon)

(ii) For determining the qualification for the proposed final dividend

- Ex-dividend date 2 July 2024 (Tue)
- Latest time to lodge all transfer documents for registration with Company's registrar At 4:30 p.m. on 3 July 2024 (Wed)
- Closure of Register of Members 4 July 2024 (Thu) to 8 July 2024 (Mon) (both dates inclusive)
- Record date 8 July 2024 (Mon)
- Payment of dividend 25 July 2024 (Thu)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's share registrars and transfer office, Tricor Secretaries Limited, at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company will be held on Monday, 24 June 2024. Further announcement(s) and/or circular will be made by the Company as and when appropriate in accordance with the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.atnt.biz>). The annual report of the Company for the year ended 31 December 2023 will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Asia Tele-Net and Technology Corporation Limited
Lam Kwok Hing M.H., J.P.
Chairman and Managing Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive directors of the Company are Messrs. Lam Kwok Hing M.H., J.P. and Nam Kwok Lun, and the independent non-executive directors are Messrs. Cheung Kin Wai, Ng Chi Kin, David and Hong Hui Lung.

** For identification purpose only*